

PALESTINE LIBERATION ORGANIZATION

Palestine National Authority
The President



منظمة التحرير الفلسطينية
السلطة الوطنية الفلسطينية
الرئيس

November 28, 2006

The Honorable Dr. Condoleezza Rice
Secretary of State
U.S. State Department
Washington, D.C.

Subject: *Law Suits against the Palestine Investment Fund*

Dear Secretary Rice,

I am writing to bring to your attention and seek your assistance in addressing serious crisis that is facing the Palestine Investment Fund (PIF). The crisis relates to a court ruling that was issued by the United States District Court for the District of Rhode Island (the court) against the PIF. The court ruling was issued in the case between the Estate of Yaron Ungar et al (Ungars) against the Palestinian Authority (PA) et al (Ungar Case). The PIF is not a party to this case. On September 19, 2006, the court decided that "all of the Palestinian Authority's ownership rights in the Palestinian Commercial Services Company (PCSC) and in the Palestine Investment Fund (PIF), and all rights, benefits and interests of the Palestinian Authority in all property, assets and credits, of any type, that are titled and/or owed to the PCSC and/or to the PIF are assigned, transferred and conveyed to the Estate of Yaron Ungar, ...etc." On October 20, 2006, the counsels of the plaintiffs in the Ungar Case sent letters to the directors of PIF, claiming that their clients are the "new owners of the PIF", and that the "new owners" have dismissed the current directors of the fund, effective October 17, 2006, and appointed a new "Board of Directors".

The PIF was incorporated in 2003, in response to calls from the United States Government (USG) and the European Union (EU) for increased transparency and accountability within the Palestinian Authority institutions and affiliates. It falls under the supervision of my office, and encapsulates the investments that are held for the benefit of the Palestinian people. Accordingly, the U.S. Office of Foreign Assets Control (OFAC) General License # 4 (dated April 12, 2006) explicitly authorizes U.S. persons to "engage in all transaction otherwise prohibited under 31 C.F.R. parts 594, 595, or 597" with PIF. Since 2003, the PIF has been headed by a nine-member Board of Directors (BOD), with majority members of prominent Palestinian private sector leaders. Currently, the Chief Executive Officer (CEO) of the PIF is Dr. Mohammad Mustafa—a prominent private sector development specialist who had been serving at the World Bank in Washington for the last 15 years, and whom I selected to become my economic adviser in November 2005.

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PIF has retained the prestigious New York-based LeBoeuf, Lamb, Greene & MacRae (LeBoeuf) law firm to take the necessary legal measures to defend its interests in this case, as well as in any other litigations that are brought against it before U.S. courts. Recently, the counsels for the plaintiffs in the Ungar Case sent letters to LeBoeuf threatening them to take legal action against them because of their representation of PIF, and requesting that they remove themselves from such representation. LeBoeuf remains committed to representing PIF, and is taking the necessary legal actions against such outrageous and illegal behavior from the plaintiffs. The counsels of the PA are also taking the necessary legal steps to counter such assaults.

Today, the PIF serves as an enabling catalyst for sustainable economic and social development in the Palestinian Territories. This is achieved through undertaking and partnering in strategic investment projects in the areas of energy, information and communication technology, real estate, tourism, among other sectors. The PIF is committed to transparent and accountable corporate behavior, free market economy, and strives to build a pool of top notch professionals who would become the future leaders of Palestine. Currently, tens of thousands of Palestinian men and women are employed by projects and businesses that are either owned or managed by the PIF.

We are aware of a number of other cases that are brought against the PA on the same basis. Those cases are politically motivated, and primarily aim at causing the collapse of the Palestinian institutions through bankrupting them, and at jeopardizing the Palestinian – U.S. relations.

With the current status of the mentioned litigations before the U.S. courts, substantial portions of PIF's assets in the U.S. are either frozen or are in jeopardy of confiscation. Should such assets be confiscated or transferred to the plaintiffs, the Palestinian economy and private sector would be severely damaged and is likely to collapse. Such outcome would not serve U.S., Israeli or Palestinian national interests. To the contrary, it may cause the Palestinian Authority to collapse; push tens of thousands of Palestinian families into a vicious circle of poverty and unemployment—an environment that nurtures radicalism, violence and terrorism; and would sharply increase anti-U.S. sentiments in Palestine, as well as the Arab and Moslem worlds.

Therefore, and given the political aspects and likely ramification of these dramatic developments, I seek your kind assistance in addressing this serious matter. I will ask my economic adviser and the CEO of the PIF—Dr. Mohammad Mustafa to follow up on this matter with U.S. Consul General in Jerusalem Mr. Jacob Walles.

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I am confident that, through the joint work of our teams, we will be able to achieve an outcome that would serve the interests of the USG and the PA, and would be in concert with the law.

Sincerely,

Mahmoud Abbas**Chairman****Executive Committee of the Palestine Liberation Organization****President****Palestinian Authority**

Cc:

- Dr. Mohammad Mustafa - CEO of PIF
- Mr. Afif Safieh – PLO Mission Director in Washington
- U.S. Consul General Jacob Walles – Jerusalem